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Lester Velie

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The Mafia Tightens Its Grip on the Teamsters, 1974

Abstract

Article describing the relationship of James R. Hoffa, Frank E. Fitzsimmons, Harry Davidoff, and the International Brotherhood of Teamsters Local 295 (New York, NY) in relation to New York Mafia. Reader's Digest, August 1974.

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The Mafia Tightens Its Grip on the Teamsters

BY LESTER VELIE



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The Mafia Tightens Its Grip on the Teamsters

It has been 15 years since the Senate Committee on Labor Rackets, and the press, exposed the Teamster Union's link to the underworld under James R. Hoffa. Today, Hoffa's successor as Teamster president, Frank E. Fitzsimmons, offers a "new image" for his powerful union.

What is the reality behind the image? Here is the first of a series of articles in which Roving Editor Lester Velie, aided by investigative assistant Jennifer Bolch, shows that our biggest union is deeper in the grip of the underworld than ever.

BY LESTER VELIE

ON Sunday, June 11, 1972, Lloyd Hicks announced that he would run for president of Teamster Local 390, Miami. On Tuesday, gunmen killed him.

"They can't kill all of us," Travis Dumas, Hicks' best friend and fellow business agent, announced. "I'm running in Lloyd's place."

Dumas hired a guard and set out to win control of the local's 2700 members, many of whom had been terrorized. Dumas won, but word soon came to him through the union grapevine that there was a contract out on his life. So, for the last 20 months, Dumas has lived the life of the hunted. He has a shotgun at hand at all times and has told his wife not to let their three children out of sight.

How did he get into this fix? By being a man who stands in the way of organized crime's efforts to extend its hold on the Teamsters. Among other things, Dumas has refused bribes to corral union members into shady insurance schemes and, more dramatically, has been a roadblock in the path of a New York City gangster invasion of the Miami International Airport.

Through control of Teamster Local 295, the New York Mafia already oversees the handling of freight at John F. Kennedy International Airport. This has enabled it to tap two huge rivers of tribute. One, according to Congressional testimony, is through a gangster-dominated trucking association which truckers must join in order to do business at the airport—and which employs mobster "labor consultants"

to assure labor peace. The other consists of organized pillage of air cargoes which, according to New York Waterfront Commission estimates, has reached the awesome total of \$10 million annually. For the last several months, Dumas has been fighting Mafia raids from New York aimed at capturing members of his union—and, with them, control of all trucks bringing air freight in and out of the Miami airport.

Two Bosses. Dumas' struggle for survival at the bottom of the Teamster pile reflects a larger struggle at the top—between former president James R. Hoffa and his successor, Frank E. Fitzsimmons. Many Teamster locals are honestly run by dedicated union leaders. But because of the struggle above, the underworld's parasitic hold on the Teamsters is as pervasive today as it was when Senate investigators and the press exposed it 15 years ago.

To understand why, it is necessary to recognize a basic fact of political life in the Teamsters. Its president must satisfy two constituencies: union members and the organized-crime bosses of our big cities. This obligation was created by Hoffa when he enlisted un-

derworld support in his drive for delegates to the 1956 Teamster convention.

Elected president, Hoffa found himself with two masters. He worked 18-hour days for his union members, settling grievances, building Teamster membership over the two million mark, and negotiating ever-higher pay increases and fringe benefits. He did well for his underworld constituency, too, paying off in other people's money and misery. He permitted gangsters to turn Kennedy airport into a pillaging preserve. In Chicago, Hoffa sluiced Teamster welfare-fund insurance patronage to a criminal family linked to the old Capone mob. All over the country, Hoffa paid debts to organized-crime figures with Teamster pension-fund loans that often went unpaid.

Today, the underworld holds the power balance that may determine who will be elected Teamster president in 1976: Hoffa (providing he wins his legal battle against restraints that bar him from union activity) or the incumbent Fitzsimmons. "Without support from 'the boys,'" a Teamster vice president told me, "Fitz couldn't remain president for one minute." So Fitzsimmons, as Hoffa before him, must also please "the boys" as well as the members.

Best Girl. When Hoffa went to jail in 1967 for fraudulent use of the Teamsters' biggest pension fund, and for jury tampering, he assigned Fitzsimmons to act on his behalf.

LESTER VELIE has written about labor affairs for many years. He is the author of the widely read *Labor USA*, and his earlier series of Digest articles about the Teamsters (beginning with "The Riddle in the Middle of America's Most Powerful Union," *The Reader's Digest*, December 1955) first exposed Jimmy Hoffa's connections with the underworld.

But Fitzsimmons found himself in the classic posture of the man to whom a best friend has entrusted a best girl. He fell in love with the girl—the Teamster presidency—and moved aggressively to keep her.

For Fitzsimmons, a phlegmatic, pumpkin-faced 66-year-old with a heavy belly, the girl had many attractions. First, there was the handsome dowry, a \$125,000 yearly salary. Then there were three homes to live in—one in California, one in Florida and another in Washington—and a \$3.5 million jet plane that would carry him anywhere in the world, all expenses paid. To this, finally, was added the courtship of the President of the United States. Seeking labor support, President Nixon met with Fitzsimmons' executive board in the summer of 1971, rubbed elbows with mob-connected officials, and let it be known that the White House door was always open to Fitzsimmons.

As the time approached for Hoffa to leave prison, Fitzsimmons decided that his own ruddy face—basking in the favor of a President—was better for the Teamster image than Hoffa's prison pallor. But if Hoffa, freed, were to resume union activity, his first move would be a run for the presidency of his old Local 299 in Detroit. With that as a power base, he might well regain control of the entire membership at the 1976 Teamster convention.

Blocking Action. At Hoffa's elegant condominium near Miami, he recently showed reporter Jennifer

Bolch the pardon form he signed in prison. It contained stipulations such as, "the parolee will not drink to excess"—but *no* stipulation that Hoffa refrain from union activity. Hoffa said he was astounded to learn on emerging from prison that another pardon document, signed by President Nixon, barred him from union activity until March 6, 1980—four years beyond the next Teamster presidential election. Who was responsible? "Fitzsimmons," says Hoffa—with assists from inside the White House.

"Colson [Charles W. Colson, ex-Presidential counsel, who has pleaded guilty to obstruction of justice in the Ellsberg case] was the mastermind," Hoffa added, and part of the payoff was Teamster legal business for Colson's law firm—at a reported \$100,000-a-year fee. Hoffa has spelled out his charges in a suit against the Justice Department, aimed at removing his union-activity restrictions.

Meanwhile, Fitzsimmons is using his power and patronage to woo his two constituencies: the union and the big-city hoodlums. As Hoffa spelled it out to us, Fitzsimmons builds support within the union by returning to the regional Teamster barons the power Hoffa had taken from them. Teamster organizing money, some \$7 million yearly, is going to Fitzsimmons men only. And he is banishing Hoffa loyalists to areas where they can't influence delegates to the 1976 Teamster convention. Recently, Fitzsimmons

abolished the \$46,000-a-year union job filled by Hoffa's wife.

As for the underworld: Teamster business patronage has lately had a curious way of turning up in unclean hands. For example, when Fitzsimmons approved a \$1.3 million public-relations program last year to burnish the Teamster image, part of this cash flowed to two "image improvers" with criminal records, one of whom had served 20 years on a murder charge. And Fitzsimmons became attentive to underworld get-rich-quick schemes at Teamster expense. Consider the severance-fringe-benefit scheme hatched by a New York underworld figure and pushed by Fitzsimmons' son, Don.

Fitzsimmons and Son. The underworld figure was Louis C. Ostrer, who had pleaded guilty in 1969 to swindling a Canadian insurance company of \$338,000, and received a five-year suspended sentence. While on probation, Ostrer was convicted on a federal stock-swindling charge in company with the notorious "Johnny Dio" Dioguardi—thus linking him to the New York Mafia; a New York County indictment further linked him to Mafia loan sharks and charged he had discussed the prospective killing of a delinquent borrower.

Ostrer conceived a union-insurance scheme whose rich potential as a ripoff was dramatized by the form it took in one union Ostrer sold it to: New York Teamster Local 295, dominated by labor racketeer Harry

Davidoff. Under the Ostrer plan, trucking employers paid \$40 a week per employee to buy individual insurance policies for union members and to build a severance-pay fund. Employers had to go along with the scheme or suffer Davidoff reprisals.

As the New York State Insurance Department has charged, the employers' contributions were largely drained away by excessive commissions and administration fees; for example, insurance which cost the severance fund \$1,238,274 could have cost but \$52,546. Thus the fund was depleted by \$1,185,000. Since the money was paid by employers in lieu of wage increases, it was actually coming out of employes' pockets.

Ostrer initially sold his scheme to some dozen Teamster locals in New York City and New Jersey. Then he extended his operation to Detroit, where, in 1972, he hired young Don Fitzsimmons as "consultant and public-relations man." Since Don Fitzsimmons had no insurance experience (he had been selling vending machines for a hoodlum-owned company), I asked Ostrer why.

"I hired him as a conduit," Ostrer said, "in order to meet certain people." One of the "certain people" Ostrer met was the "conduit's" father, Frank Fitzsimmons.

"Frank quickly saw the value of my plan," Ostrer recalled, "and told me I could go out and sell it to Teamster locals on its merits."

Here Don Fitzsimmons picks up the story. "I was looking for some-

thing lucrative," he told us. So, with Ostrer's plan in hand, young Fitzsimmons said, he solicited unions in Michigan, California, Nevada, Massachusetts, New Jersey and Illinois. He estimated that some 60 to 70 locals in those states and Florida eventually adopted Ostrer's plan.

Two things, however, crimped Ostrer's operation. In New York, the State Department of Insurance put a five-percent commission ceiling on insurance sold in bulk to employes, and threatened to force trustees to make restitution of drained funds. Elsewhere, local union leaders decided that Ostrer's scheme was too good a thing to share with the originator. Detroit Local 299, for example, booted him out and turned over the fund to the local's lawyer, who subsequently fired young Fitzsimmons.

So Ostrer's scheme goes marching on—in other hands. Meanwhile, it is persistently reported inside the Teamsters that Frank Fitzsimmons will seek approval of a severance-fringe-benefit plan at the next national bargaining session with trucking employers. Severance pay, of course, is a legitimate union bargaining demand, and some unions have been operating severance funds honestly for years, usually under the administration of an insurance company or actuarial consultant firm. But since many Teamster locals administer welfare funds themselves, one can imagine the opportunities for crooked leaders and the mobs if

severance funds become general for all Teamster trucking employes.

Rivers of Cash. As these short, selected examples of underworld enterprise show, brains within organized crime are forever buzzing with schemes to tap the vast rivers of cash that employers pour out yearly to provide benefits for Teamster members. The biggest river of all is the \$200 million that employers of some 430,000 Teamsters channel each year into the Central States, Southeast and Southwest Area Pension Fund. This has created a \$1-billion reservoir of lending and investing money—putting it, as a lending institution, among the country's 100 biggest banks.

As a Teamster vice president told me, the big-city mobs' chief interest in the Teamsters lies in loans from the Central States fund—an interest underlined by the recent attempted assassination of the man who dictated loans at the time, the Chicago gang's ambassador to the Teamsters, Allen Dorfman. Inside the Teamsters, the word was that the Eastern mob was angry at not getting its share of the action.

What does all this say about the underworld's "interest in the Teamsters"? How has it fared during the Fitzsimmons reign? Very well, thank you. In fact, Mafia raids on union gold have become more brazen than ever.

In his second article, Lester Velie will explore the Teamsters' role as bankers to the underworld.